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U.S. House of Representatives
COMMITTEE ON THE BUDGET
Washington, DC 20515

July 30, 2001

Who's In Charge?

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Dear Democratic Colleague:

Republicans continue to disagree with one another about whether to protect the Medicare surplus. The Bush Administration persists in an argument they devised at the beginning of the year: The Medicare surplus doesn't exist—and therefore it is okay to spend it. Just last weekend, the Director of the Office of Management and Budget, Mitch Daniels, on nationwide television compared a policy of protecting Medicare to running “mindlessly higher surpluses” that “send that money out to bondholders...” He went on to refer to Medicare lock boxes as a “fiction.”

However, on Capitol Hill virtually all Congressional Republicans have declared their intention not to tap the Medicare surplus. On July 23, House Majority Leader Richard K. Armey proclaimed, “We are not willing to go back and to raid Social Security and Medicare,” pledging additionally, “no backslide on that.” This is merely the latest in a series of quite definitive statements by leading Congressional Republicans that, for the moment, they consider the Medicare surplus as inviolable as the Social Security surplus.

Of course, the excessive Bush tax cut makes that promise almost impossible to keep. Without an absurd timing gimmick in the tax bill—a shift of \$33 billion in corporate tax payments by two weeks so they show up in FY 2002—Republican's would have to find billions of dollars of 2002 spending cuts below their own budget resolution, even if CBO does not revise down the surplus. However, the weak economy will force CBO to revise down the 2002 surplus, and that means Republicans may still have to find billions in additional spending cuts, even if one credits them with the \$33 billion gimmick.

Meanwhile back at the White House, there's little concern on this score. The President argues that Medicare is in deficit—and that therefore it is okay to drive it further into deficit.

Republicans need to figure out where they stand on this important issue. Democrats are united in our belief that the Medicare surplus must be protected. We believe that it should be preserved to pay those benefits to which it already is dedicated. Furthermore, we believe that additional outside resources should be devoted to making Medicare strong for the long haul. In order to work towards any kind of bipartisan solution to our fiscal problems, though, Democrats need to know with whom we are dealing.

Sincerely,

John M. Spratt, Jr.
Ranking Democratic Member